

April 1997

FOREIGN ASSISTANCE

Impact of Funding Restrictions on USAID's Voluntary Family Planning Program

EXEMPTION EXEMPTION 1

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National Security and
International Affairs Division

B-276613

April 25, 1997

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The Honorable Benjamin A. Gilman
Chairman
The Honorable Lee H. Hamilton
Ranking Minority Member
Committee on International Relations
House of Representatives

For fiscal year 1996, Congress placed funding restrictions on the U.S. Agency for International Development's (USAID) voluntary family planning program that (1) reduced its appropriation from the previous year, (2) delayed the release of funds for 9 months, and (3) required that funds be apportioned over 15 months. For fiscal year 1997, Congress also delayed the release of funds and required that they be apportioned at a rate not to exceed 8 percent per month.¹

As you requested, we have reviewed the impact these restrictions have had on USAID's family planning program and are likely to have in fiscal year 1998. Specifically, we sought to determine

- what has been the effect of the fiscal year 1996 and 1997 funding limits and delayed release of funds on USAID's voluntary family planning program,
- what would be the effect of current funding restrictions if they were imposed in fiscal year 1998, and
- whether a relationship exists between USAID's family planning program and a reduction in abortions.

Background

Since 1965, the United States has provided voluntary family planning services to (1) support the right of couples to determine the number and spacing of their children, (2) reduce unintended pregnancies, (3) promote maternal and child health, and (4) stabilize world population. The United States contributes almost one half of all donor funding to family planning programs in more than 60 countries with a combined population of 2.7 billion people. The Congressional Research Service reported that USAID has expended over \$5 billion on international family planning during the past 30 years. Since the 1970s, legislation has prohibited the use of USAID

¹Section 518A of the fiscal year 1996 Foreign Operations Appropriations Act (P.L. 104-107, Feb. 12, 1996) and section 518A of the fiscal year 1997 Foreign Operations Appropriations Act (P.L. 104-208, Sept. 30, 1996).

funds to perform abortions as a method of family planning and to motivate or coerce anyone to have an abortion.²

USAID's Office of Population manages a substantial portion of the Agency's family planning program. USAID awarded about 65 percent of its annual family planning funding through contracts, grants, and cooperative agreements to about 30 cooperating agencies that work primarily with USAID field staff and host government agencies on centrally managed family planning programs. USAID overseas missions and regional bureaus manage the remaining 35 percent of annual funds in bilateral or government-to-government programs, often using the centrally managed programs in support of their country-specific programs.³ See appendix I for a list of countries receiving family planning assistance and participating cooperating agencies.

Appropriations to the family planning program generally increased from the start of the program in 1965 through fiscal year 1995. Congress appropriated \$356 million in fiscal year 1996, a 35-percent decrease from the \$545 million appropriated in fiscal year 1995. In addition, Congress imposed funding restrictions that (1) delayed release of fiscal year 1996 funds until July 1, 1996 (9 months into the fiscal year), and (2) required that the funds be evenly apportioned over a 15-month period at a rate not to exceed 6.7 percent of the appropriated amount in fiscal year 1996 (\$23.7 million per month). Congress appropriated \$385 million in fiscal year 1997, an 8-percent increase from fiscal year 1996, but continued to include funding restrictions. The 1997 appropriations act delays the release of funds until July 1, 1997, and requires that they be apportioned at a rate not to exceed 8 percent per month, unless the President determines that the delay is having a negative impact on the proper functioning of the family planning program and Congress approves the determination. In that event, the funds may be released on March 1, 1997, at 8 percent per month (\$30.8 million per month).⁴

²The current restriction, included in section 518 of the fiscal year 1997 Foreign Operations Appropriations Act, prohibits (1) using funds to pay for the performance of abortion or involuntary sterilization as a method of family planning or to motivate or coerce any person to practice abortions or undergo sterilization and (2) funding any research that relates to the methods or performance of abortion or involuntary sterilization as a means of family planning.

³Congress legislated this split of family planning funds beginning with the fiscal year 1996 Foreign Operations Appropriations Act and continued it in the fiscal year 1997 Foreign Operations Appropriations Act.

⁴See section 518A of the fiscal year 1996 Foreign Operations Appropriations Act and section 518A of the fiscal year 1997 Foreign Operations Appropriations Act. This monthly apportionment is known as "metering."

The President submitted a Presidential Determination to Congress on January 31, 1997, certifying that the funding delay from October 1996 to July 1997 was having a negative impact on the proper functioning of the family planning programs. In February 1997, Congress approved the determination that allowed for the release of the funds on March 1, 1997.

Results in Brief

USAID took steps to minimize the impact of fiscal year 1996 and 1997 funding cuts and the delayed release of funds on its family planning program. It did not have to drop any countries from the program or terminate any contracts, grants, or cooperative agreements. USAID was able to maintain the structure and scope of its family planning program because it (1) consolidated programs and cut activities in 1995 in anticipation of fiscal year 1996 governmentwide cuts, (2) supplemented its fiscal year 1996 appropriation with carryover funds, and (3) drew funds from its family planning pipeline.⁵ For the first 5 months of fiscal year 1997, USAID managed its program with fiscal year 1996 funds and pipeline funds. However, to maintain the scope of its current programs, cooperating agencies and missions had to delay or cut back some program elements and could not implement some planned expansion.

The delay in releasing funds reduced USAID's family planning pipeline 44 percent, from an estimated \$745 million as of October 1, 1995, to an estimated \$414 million as of October 1, 1996. During this time frame, the development assistance pipeline, which includes such programs as child survival and democracy, increased about \$500 million, or 39 percent.⁶ As a result, some centrally managed and bilateral projects operated with pipelines close to levels considered disruptive by USAID.⁷ With the release

⁵Carryover funds are unobligated balances brought forward from prior years. USAID family planning funds are 2-year monies; that is, they can be obligated over a 2-year period rather than the standard 1 year in which they are appropriated. The pipeline is the difference between the funds that USAID obligates to its various activities and the amount it has spent on them. A USAID official told us that as of December 31, 1996, USAID's aggregate pipeline totaled \$6.4 billion, consisting of funds for Development Assistance (including family planning), the Development Fund for Africa, the Economic Support Fund, Support for East European Democracy, assistance for the New Independent States of the former Soviet Union, and Special Assistance Initiatives.

⁶Family planning funds were subtracted from the development assistance account for purpose of this pipeline comparison.

⁷USAID officials believe that 4 months of pipeline funding is the minimum level at which missions and cooperating agencies can satisfy existing commitments without disrupting program implementation. They also stated that mission and cooperating agency subagreements with U. S.-based and host country institutions; research subcontracts; materials, supplies, and bulk purchase contracts; and staffing contracts are usually premised on long-term funding availability. As pipelines decrease to the 4-month level, these officials stated that missions or cooperating agencies must end or renegotiate the terms of their agreements, limit bulk purchases, distribute layoff notices, and arrange for employee repatriation.

of fiscal year 1997 funds in March 1997 rather than July 1997, USAID should have sufficient resources to cover its fiscal year 1997 requirements.

Our analysis shows that if the fiscal year 1998 funding level remains at \$385 million, a 9-month delay (until July 1998) in releasing funds occurs, and funds are metered on a monthly basis, most of USAID's bilateral projects would be in serious jeopardy of running out of funds sometime during fiscal year 1998 and the centrally managed projects would have minimal levels of funding available by September 1998. For example, by September 1998, the average bilateral pipeline would have no funds and the centrally managed pipeline would have an average of 6 months of funding in contrast with the 12- to 18-month level recommended in Agency forward-funding guidelines. USAID officials stated that under this funding scenario, USAID would not have access to sufficient funds to satisfy program needs, and certain bilateral family planning programs would have to be terminated. On the other hand, our analysis shows that if fiscal year 1998 funding is available in October 1997, rather than July 1998, the current bilateral and centrally managed programs will not be in jeopardy, even if the funds are metered.

Some studies have shown a correlation between increased use of modern contraceptives and a reduction in abortion. A recent Demographic and Health Surveys project conducted by Macro International, Inc., indicated that in countries where USAID is the primary family planning service funder and contraceptive use increases, fertility rates have dropped significantly, and abortion rates have declined. For example, in Almaty, Kazakstan, contraceptive use increased at USAID-supported clinics by 59 percent from 1993 to 1994, while abortions declined by 41 percent over the same period. However, because of the lack of accurate and reliable data, researchers have been unable to prove conclusively that a statistically based causal relationship exists between increases in the use of modern family planning methods and decreases in abortion in developing countries.

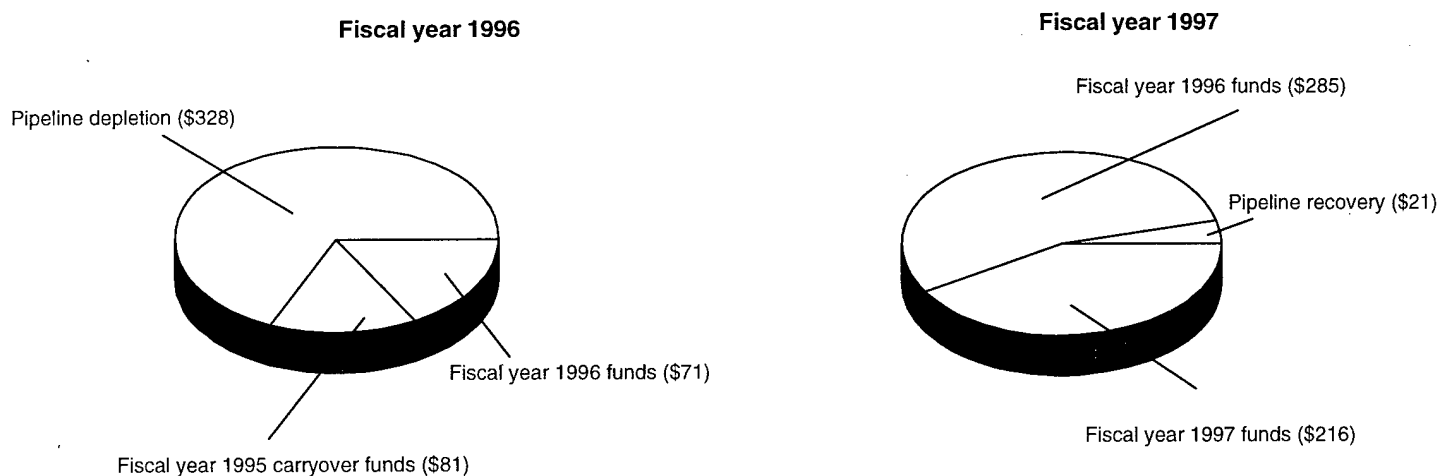
Impact of Funding Cuts

USAID minimized the impact of funding cuts on its family planning program by consolidating programs and cutting activities in 1995 in anticipation of governmentwide fiscal year 1996 budget reductions. USAID's Office of Population directed its field support staff, missions, and cooperating agencies to plan for a 35-percent reduction in funding. USAID reported that its downsizing activities included

- a consolidation of worldwide programs such as training, policy development, breastfeeding, and data collection and evaluation;
- cuts in social science research, contraceptive development, publications, and regional activities; and
- reductions in staff and freezes in hiring by cooperating agencies.

The January 1997 Presidential Determination reported that funding for multilateral programs was cut, and smaller projects were designated for phaseout without renewal. However, USAID placed a high priority on service delivery programs and worldwide contracts for contraceptives and protected them relative to other program components. USAID staff stated that the advance planning for funding cuts, the metering of fiscal year 1996 funds for 3 months, the availability of fiscal year 1995 carryover funds, and unexpended pipeline funds enabled USAID to preserve the structure and scope of the family planning program in fiscal year 1996. During fiscal year 1997, USAID will use the fiscal year 1996 funds available and the 7 months of fiscal year 1997 funds metered from March through September to cover expenditures. The pipeline will recover \$21 million of the \$328 million depleted in fiscal year 1996 by September 30, 1997, because available funds will exceed estimated expenditures. (See fig. 1.)

Figure 1: USAID Family Planning Program by Funding Source (dollars in millions)



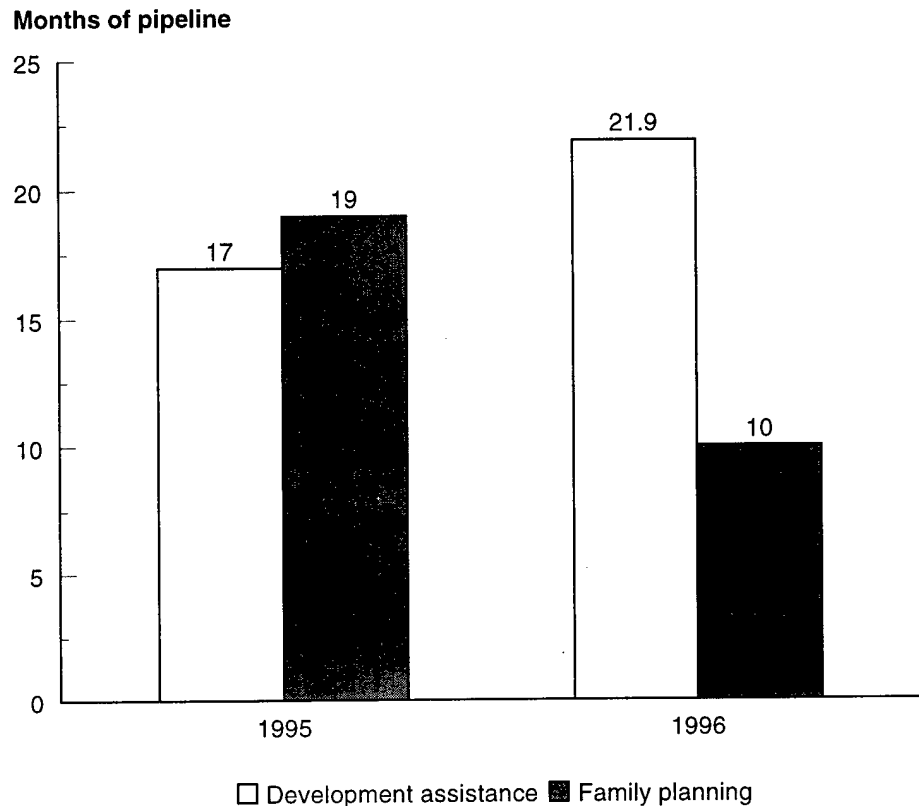
Source: USAID and GAO.

USAID did not drop any countries from the program or terminate any contracts, grants, or cooperative agreements during fiscal year 1996 or the first 5 months of fiscal year 1997. However, cooperating agencies and missions had to delay or limit some program elements to maintain their current scope and could not implement some planned expansion. For example, a USAID official stated that successful educational pilot projects for birth spacing, maternal health, and the use of contraceptives were not expanded into countrywide activities. Further, the USAID mission in Mozambique reported that a cooperating agency would not be able to initiate a child-spacing project in additional districts as planned.

Impact of Delayed Funding and Metering

The 9-month delay in releasing fiscal year 1996 family planning funds reduced bilateral and centrally managed pipelines. For example, the combined bilateral-centrally managed pipeline declined from an average of 19 months as of September 30, 1995, to 10 months as of September 30, 1996—a decrease of 47 percent. In contrast, the pipeline for the development assistance account increased from 17 months as of September 30, 1995, to 21.9 months as of September 30, 1996—an increase of about 29 percent. (See fig. 2.)

Figure 2: Comparison of USAID's Development Assistance and Family Planning Pipelines (1995-1996)



Note: The development assistance account includes programs such as child survival, democracy, and the environment. We subtracted family planning funds from the development assistance account for the purposes of this comparison. Projections for the development assistance account were not available for 1997 and 1998.

Source: USAID and GAO.

USAID attempted to minimize the impact of delayed funding and metering on the family planning projects by developing a metering plan. The plan incorporated program priorities and project funding needs into a timing schedule for each project so that funds were provided in the month that the project was calculated to fall close to or below a 4-month minimum level.⁸ According to USAID officials, these actions, along with those

⁸USAID officials stated that they did not anticipate that funding restrictions would continue in fiscal year 1997. Such knowledge might have changed their input into the development of the fiscal year 1996 metering plan, resulting in different funding levels and timing for each project.

associated with funding cuts, carried the bilateral and centrally managed projects through fiscal year 1996 and minimized the impact of the funding delays. A Deputy Director of the Office of Population told us that the delayed release of fiscal year 1996 funds, in combination with metering, had the most significant adverse impact on the bilateral and centrally managed pipelines. USAID missions and cooperating agencies reported some incidents of program delays or cuts. For example, the mission in Mozambique reduced its level of contraceptive commodities, and the mission in Nepal reported that it was unable to work with a nongovernmental organization to establish a new family planning and maternal health facility. In addition, a USAID official indicated that up to 19 research contracts, including clinical trials of new contraceptives, were delayed or interrupted because of the delayed release of funds.

Pipelines were further reduced by the 5-month funding delay and the \$385 million appropriated for fiscal year 1997. USAID projected that without an early release of funds, the pipeline would average 6 months for centrally managed projects and 6 months for bilateral projects by June 30, 1997. USAID further projected that 12 centrally managed and 8 bilateral projects were in urgent need of funds.⁹ For example, Pathfinder International, a participating cooperating agency, reported that if available funds were stretched past March 1997, it would have to cut its nurse/midwife training programs in Uganda. Additionally, CARE, another cooperating agency, reported that it would have to phase out its medical training program in maternal and reproductive health in Peru if funds were delayed until July 1997. USAID projected that without the March release of funds, it would have been about \$40 million short in meeting its urgent funding requirements between March and June 1997.

Because funds were released in March 1997 rather than July 1997, USAID said it will be able to meet its urgent requirements during this time frame. USAID will have \$123 million in fiscal year 1997 funds and \$95 million in fiscal year 1996 funds available to support its urgent needs between March and June 1997 as well as other projects approaching the 4-month minimum level. USAID officials indicated that while the funding release in March is beneficial, USAID must develop a fiscal year 1997 metering plan.¹⁰ The Director of the Office of Population also said that continued metering will

⁹A USAID official stated that the questionable accuracy of bilateral pipeline data (due to delayed posting of expenditures) led USAID to do a detailed pipeline review and, more importantly, to obtain information from the missions and cooperating agencies about their projects' funding levels. As a result, USAID identified the 20 projects in urgent need of funds.

¹⁰USAID expects to complete the plan by May 1997.

adversely impact programs because it reduces USAID's flexibility and its ability to respond to emergency needs.

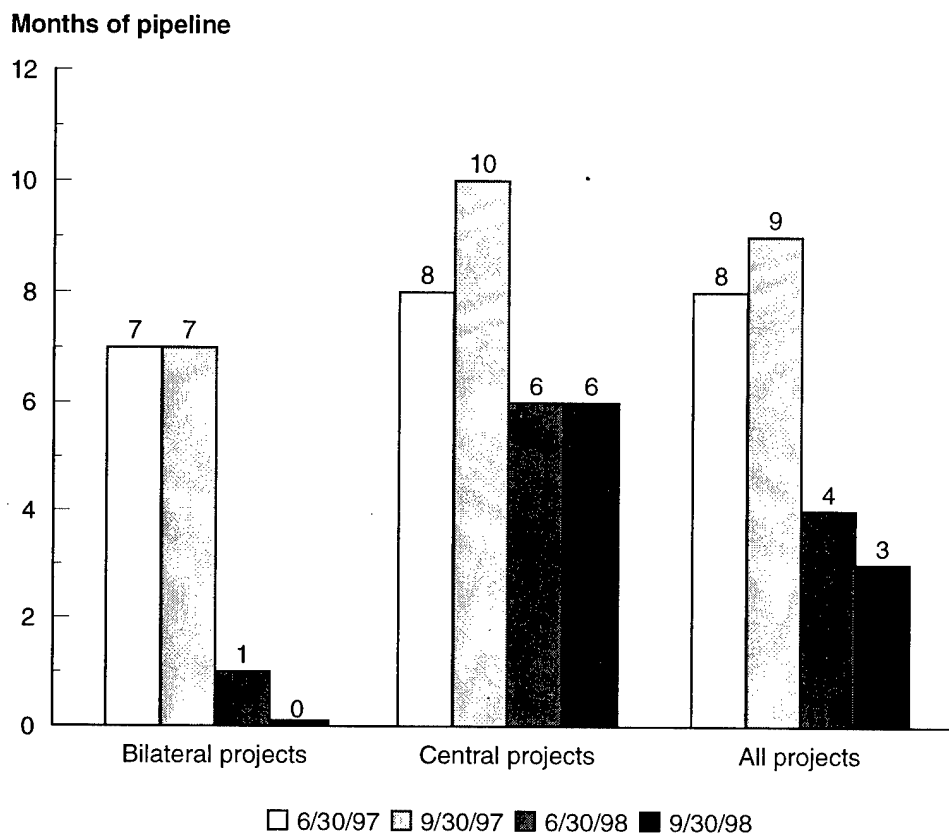
USAID staff also stated that the current funding restrictions have associated administrative and program costs. They provided information showing that designing and implementing the metering plan for the legislated delay in funding cost \$1.5 million and involved up to 143 people on a part-time basis in Washington and the missions. In addition, the Presidential Determination stated that the number of separate actions to fund USAID family planning programs is nearly triple what would be required without the metering.

Cooperating agencies have also cited the increased administrative costs incurred as a result of the funding restrictions. For example, AVSC International, USAID's second largest cooperating agency, stated that the legislatively mandated delays and metering "required us to increase the paperwork, staff time, and administrative expense associated with providing family planning and reproductive health services overseas. For every dollar intended to provide access to these services last year, a smaller quantity of services was actually provided."

Impact of Funding Restrictions on USAID's Fiscal Year 1998 Needs

Our analysis shows that if fiscal year 1998 funding parallels the fiscal year 1997 level of \$385 million, Congress delays the release of funds for 9 months, and funds are metered, USAID's family planning program will have an average 3-month pipeline as of September 1998, 1 month below the 4-month minimum level. The bilateral programs will have no funds in the pipeline, and the centrally managed programs will have about a 6-month pipeline on average. (See fig. 3.)

Figure 3: USAID's Projected Pipeline
(June 30, 1997, Through Sept. 30, 1998)



Source: USAID and GAO.

If actual expenditures vary significantly from the estimates, pipelines will expand or contract accordingly. USAID staff noted that actual expenditure rates can vary significantly from month to month, depending on a variety of factors, including the stage and type of a family planning project. In addition, missions such as Nigeria reported that USAID's financial management information systems do not always accurately report all actual mission expenditures on a timely basis.

USAID officials stated that with the funding scenario shown in figure 3, some bilateral programs would be delayed or shut down. For example, the mission in Indonesia reported that if the funding restrictions were to

continue in fiscal year 1998, it would be forced to suspend its integrated family planning and reproductive health activities midway through completion, jeopardizing maternal health and child health programs as well. Moreover, the Kenyan mission reported that it may have to delay implementation of family planning programs and concentrate instead on sexually transmitted disease programs. USAID staff also stated that the U.S. government would lose the long-standing confidence of other donor countries, cooperating agencies, and host governments if bilateral and contractual agreements are compromised. Although other donors have increased their level of funding for family planning programs, USAID officials told us that these donors are not able to provide the full range of program support, such as contraceptive development and operations research; logistics management; training; demographic and health surveys; and the provision of contraceptives, which is unique to USAID's family planning program.

USAID staff also stated that if fiscal year 1998 funding levels parallel fiscal year 1997, the release of funds is delayed, and funds must be metered, many of the adverse program impacts that would have occurred with a July 1997 release of funds, as cited in the January 1997 Presidential Determination, would be realized in fiscal year 1998. Likely consequences include the indefinite deferral of training programs and the suspension of a range of service delivery programs. They also indicated that they would have to implement alternative funding strategies, such as shifting funds on a temporary basis among selected family planning and other development programs, terminating programs, and asking other donors to meet urgent program needs. USAID officials believe that all mitigating measures carry risks that are unacceptable or undesirable for proper program management. For example, they believe that shifting funds from selected programs on a temporary basis to those with a "dangerously low" pipeline is not prudent management and would only exacerbate the problem when the programs "borrowed from" need funds.

Our analysis shows that if the release of funds is not delayed and funds are made available in October 1997, USAID would not be forced to curtail projects and other activities within its family planning program and project pipelines would exceed USAID's 4-month minimum level. The bilateral pipeline would average 6 months, and the centrally managed pipeline would average 14 months as of September 30, 1998. According to a Deputy Director of the Office of Population, an October 1997 release of funds, rather than a delayed release, is preferable, even if the funds are metered on a monthly basis.

Family Planning and Abortion

USAID believes that its family planning programs have been a primary factor in reducing abortion rates among its clients. A recent Demographic and Health Surveys project conducted by Macro International, Inc., indicated that where USAID is the primary family planning provider and contraceptive use increases, fertility rates have dropped significantly, and abortion rates have declined. For example, it reported that in Almaty, Kazakstan, where USAID has provided assistance to train doctors and nurses and to increase contraceptive supplies, contraceptive use increased by 59 percent from 1993 to 1994; at the same time, abortions declined by 41 percent. In addition, the Ministry of Health in Ukraine reported an 8.6-percent decrease in abortions between January and June 1996, which it directly attributed to the women's reproductive health program that began in 1995 with USAID funding.

The researchers we spoke with stated that a statistically based causal relationship between increases in the use of modern family planning contraceptives and decreases in abortions cannot be conclusively proven in developing countries. Representatives of the Alan Guttmacher Institute, Princeton University, and the University of North Carolina have reported that the inability to obtain accurate data on the incidence of abortion is the primary difficulty in assessing the impact of modern family planning and contraceptive use on abortion. Data is considered most reliable in countries where abortion is legal and medical organizations maintain records. Data is also considered reliable in countries where abortion has been used as a means of contraception, for example, in the former Soviet Union and Eastern Europe. Data is more suspect in developing countries, where few resources exist to collect and analyze statistics, and in countries where most, if not all, abortions are illegal and not reported.

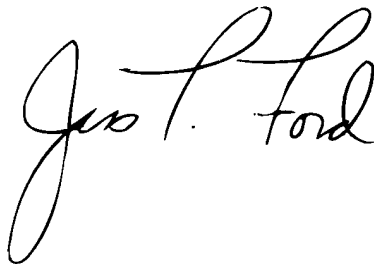
Agency Comments

In commenting on a draft of this report, USAID indicated that it agreed with the report's conclusion that USAID's management actions, combined with congressional action to release fiscal year 1997 funds in March rather than July 1997, had minimized the negative impact of funding cuts and other congressional restrictions on its family planning program to date. USAID also indicated that its family planning program would be in "serious jeopardy of running out of funds" if there is a repetition of the fiscal year 1996 and 1997 restrictions in fiscal year 1998. USAID also provided additional examples of program impact that we did not verify. Appendix III contains the full text of USAID's comments.

See appendix II for information on our scope and methodology. We performed our work from December 1996 to March 1997 in accordance with generally accepted government auditing standards.

As arranged with your office, unless you publicly announce its contents earlier, we plan no distribution of this report until 30 days after the date of this letter. We will then send copies of this report to the Administrator of USAID and other appropriate congressional committees. We will provide copies to others upon request.

Major contributors to this report were Ron Kushner, Barbara Schmitt, Michael Zola, Joan Slowitsky, Jose Pena, and Thomas Melito. Please contact me on (202) 512-4128 if you have any questions on the information in this report.

A handwritten signature in cursive script that reads "Jess T. Ford". The signature is written in black ink and is positioned above the printed name of the signatory.

Jess T. Ford, Associate Director
International Relations and
Trade Issues

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Abbreviations

USAID U. S. Agency for International Development

Recipients of Family Planning Assistance and Participating Cooperating Agencies

Recipients of USAID Family Planning Assistance in Fiscal Year 1997

Albania
Armenia
Bangladesh^a
Belarus
Benin
Bolivia^a
Botswana
Brazil
Cambodia^a
Colombia
Cote d'Ivoire
Dominican Republic^a
Ecuador^a
El Salvador^a
Egypt^a
Eritrea^a
Ethiopia^a
Georgia
Ghana^a
Guatemala^a
Guinea
Guinea-Bissau
Haiti^a
Honduras^a
India^a
Indonesia^a
Jamaica^a
Jordan^a
Kazakstan
Kenya^a
Kyrgyzstan
Madagascar^a
Malawi^a
Mali^a
Mexico
Moldova
Morocco^a
Mozambique^a
Nepal^a
Nicaragua^a

Appendix I
Recipients of Family Planning Assistance
and Participating Cooperating Agencies

Niger^a
Nigeria
Oman
Paraguay^a
Peru
Philippines^a
Romania
Russia
Senegal^a
South Africa^a
Sri Lanka
Tajikistan
Tanzania^a
Turkmenistan
Turkey
Uganda^a
Ukraine
Uzbekistan
Yemen^a
Zambia^a
Zimbabwe^a

^aDenotes country with bilateral program; remaining countries receive assistance through centrally managed program.

**Participating
Cooperating Agencies
in Fiscal Year 1997**

AVSC International (Access to Voluntary and Safe Contraception)
Basic Health Management International
CARE
Center for Development Activities
Centers for Disease Control
Deloitte and Touche
Durex International (formerly known as Aladan, Inc.)
East-West Center
Eastern Virginia Medical School
Family Health International
Finishing Enterprises, Inc.
The Futures Group International
Georgetown University
International Planned Parenthood Federation/London
International Planned Parenthood Federation/Western Hemisphere Region
Johns Hopkins University

Appendix I
Recipients of Family Planning Assistance
and Participating Cooperating Agencies

John Snow International
Leiras Oy
Macro International
Management Sciences for Health
National Academy of Sciences
Ortho Pharmaceuticals
Pathfinder International
Panalpina, Inc.
Pharmacia & Upjohn
Planning and Learning Technologies
Population Reference Bureau
The Population Council
University of Michigan School of Public Health
University of North Carolina
Western Consortium for Public Health
U.S. Bureau of the Census
Wyeth-Ayerst International

Scope and Methodology

To obtain information on the impact of funding cuts, delays, and metering on USAID's family planning programs, we interviewed and obtained documents from officials in USAID's Center for Population, Health, and Nutrition, including the Office of Population, Office of Field and Program Support, Division for Policy and Evaluation, and Division for Contraceptives and Logistics Management; the Bureau for Management, including the Office of Budget and the Office of Procurement; the Bureau for Latin America and the Caribbean; the Bureau for Europe and the New Independent States; and the Bureau for Asia and the Near East. We analyzed USAID's fiscal year 1995-98 family planning pipeline data, the metering plan, and the contraceptives procurement plan and reviewed its studies and analyses of program performance.

We also interviewed and obtained studies and analyses from officials of the following organizations: AVSC International; Durex, a subsidiary of London International Corporation (formerly known as Aladan, Inc.); Centers for Disease Control; Carolina Population Center; Christian Coalition; International Planned Parenthood Federation; Population Action International; Population Council; Population Reference Bureau; and the Rockefeller Foundation. We were unsuccessful in our attempts to obtain the views of the National Right to Life Committee and the Population Research Institute.

We did not conduct field visits to overseas locations for this review; rather, we relied on USAID's and other organizations' studies and analyses and our interviews.

To project the impact of continued funding restrictions in fiscal year 1998, we evaluated family planning project pipelines to determine when these pipelines would fall below the USAID-determined 4-month minimum level.¹ We assumed that the fiscal year 1998 funding restrictions would be the same as those that Congress imposed in 1997; that is, a \$385 million funding level, a 9-month delay in release of funds,² and metering at 8 percent per month. We also assumed that expenditure and obligation patterns would remain constant over time. Based on these assumptions,

¹USAID officials stated that their current reporting systems include pipeline information by funding account (economic support fund, development assistance, etc.) and country. They indicated that their reporting systems are currently not capable of computing pipeline amounts at the program level—the pipeline for the family planning program was manually computed. USAID officials indicated that when the new management system is fully operational it will be capable of readily identifying program financial data, such as rate of obligations and expenditures, and level of pipeline.

²We assumed a July 1998 release of funds in fiscal year 1998.

we used USAID pipeline projections at June 30, 1997, to establish a baseline for our projections through September 30, 1998.

The June 30, 1997, baseline was based on pipeline levels that represent USAID's bilateral projects and centrally managed projects, including their respective monthly expenditure rates. Bilateral pipeline levels were based on PIPE data, one of USAID's financial management information systems, as of September 30, 1996. The data was then projected forward by adding planned fiscal year 1996 family planning funding and subtracting expenditures based on recent monthly expenditure rates from Mission Accounting and Control System data. USAID provided us with centrally managed project pipeline levels that were obtained directly from each cooperating agency during USAID's semiannual portfolio review process and verified against vouchering data. USAID's Contraceptives and Logistics Management Division provided us with pipeline levels and expenditure rates for contraceptives procurement.

To adjust the June 30, 1997, baseline to reflect the March 1997 release of funds approved by Congress in February 1997, we added 4 months of fiscal year 1997 funding—March 1 through June 30—and subtracted 4 months of estimated expenditures based on USAID's determination of urgent needs. We then added the remaining fiscal year 1996 funds and fiscal year 1997 funds through September 30, 1997, and subtracted estimated expenditures to project pipelines to the end of fiscal year 1997. Finally, we added the remaining fiscal year 1997 and fiscal year 1998 funds through September 30, 1998, to project pipelines at the end of fiscal year 1998.

We attempted to verify bilateral pipeline data with each USAID mission that reported pipeline deficits. This exercise revealed inconsistencies between the bilateral pipeline data provided by USAID's Management Bureau Budget Office and data provided by overseas missions due to delayed posting of expenditures. As a result, some bilateral projects appeared to be running deficits, when in fact the pipeline exceeded USAID's 4-month threshold. We also requested that these missions and cooperating agencies provide information on the projected impact of funding restrictions on programs in fiscal year 1998.

To determine the relationship between USAID's family planning programs and reductions in abortions, we interviewed and obtained documentation and studies from officials of the Alan Guttmacher Institute and Princeton University, in addition to the USAID offices and organizations previously mentioned.

Comments From the Agency for International Development

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

MAR 24 1997

Mr. Henry L. Hinton, Jr.
Assistant Comptroller General
National Security and International Affairs Division
U.S. General Accounting Office
441 G Street, N.W. - Room 4039
Washington, D. C. 20548

Dear Mr. Hinton:

I am pleased to provide the U.S. Agency for International Development's (USAID's) formal response on the draft GAO report entitled "FOREIGN ASSISTANCE: Impact of Funding Restrictions on USAID's Voluntary Family Planning Program" (March 1997).

We appreciate the careful analysis undertaken by the GAO team, especially given the limited time available to conduct their investigation. We agree with the report's conclusion that USAID's management actions over the past two years, combined with Congressional action to release FY 1997 funds in March rather than July, minimized the negative impact of funding cuts and other unprecedented Congressional restrictions on USAID's voluntary family planning programs.

We also agree that because of reduced program pipelines, repetition of FY 1996 and FY 1997 restrictions in FY 1998 would leave many programs "in serious jeopardy of running out of funds." USAID's voluntary family planning program would be required to operate at a level well below the 12 to 18 months recommended in Agency guidelines and well below that of other Agency programs.

The enclosure provides USAID's response to the draft report, including additional information on the significance of the worldwide leadership provided by USAID's voluntary family planning program as well as the great disruption in the program and serious risks to the people it serves if the FY 1996 and FY 1997 restrictions were repeated in FY 1998.

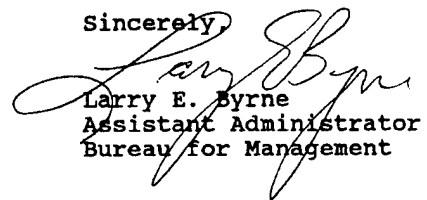
320 TWENTY-FIRST STREET, N.W., WASHINGTON, D.C. 20523

Appendix III
Comments From the Agency for
International Development

-2-

Thank you for this opportunity to respond to the draft report and for the courtesies extended by your staff in the conduct of this review.

Sincerely,



Larry E. Byrne
Assistant Administrator
Bureau for Management

Enclosure: As Stated

ENCLOSURE

USAID COMMENTS ON GAO DRAFT REPORT
FOREIGN ASSISTANCE: Impact of Funding Restrictions on USAID's
Voluntary Family Planning Program (March 1997)

The impact and significance of USAID's voluntary family planning program. Awareness of the impact of USAID's program on U.S. international development and foreign policy goals is essential in order to appreciate fully the effects of the FY 1996 and FY 1997 funding limits and delayed release of funds as well as the effects if current restrictions were continued in FY 1998.

Since 1965, USAID has been the leading donor for voluntary family planning programs in developing countries, providing unique and vital technical and financial support to their national efforts. During that period, successful programs have been undertaken, unintended pregnancies have been reduced, and fertility has declined from an average of over 6 children per woman to around 4; other measures of health status have also improved. As Secretary of State Madeleine Albright said in February 12 testimony to Congress: "Our voluntary family planning programs serve our broader interests by elevating the status of women, reducing the flow of refugees, protecting the environment, and promoting economic growth."

The impact of FY 1996 and FY 1997 population funding limits and restrictions. In response to the Committee's request to review the effects of the FY 1996 and FY 1997 funding limits and delayed release of funds, the GAO report indicates that the management actions taken by USAID "minimized the impact" (p. 4) and enabled the Agency "to maintain the structure and scope of its family planning program." (p. 5) Still, the program budgeted at levels \$486 million in FY 1994 and \$545 million in FY 1995 is reducing activities and services to conform to the much lower budget of \$356 million in FY 1996 and \$385 million in FY 1997 (and actually less when metering is taken into account). As the report shows, the average pipeline for the USAID's voluntary family planning program has dropped by nearly half, from an average of 19 months as of September 30, 1995 to 10 months of September 30, 1996. The report does not fully convey the extent of the reductions already made.

We suggest that the second sentence in "Results in brief" be extended so that it reads:

"It did not have to drop any countries from the program or terminate any contracts, grants, or cooperative agreements, although subagreements and subcontracts were terminated."

Now on p. 3.

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We further suggest that the following be added to the top of page 5 at the end of the first paragraph of "Results in brief."

See comment 1.

"USAID reported that extensive reductions were made, including scaling back activities in bilateral programs and dropping subagreements with developing country partners, a substantial cut in multilateral funding, and disproportionate cuts in contraceptive development and operations research. USAID expects that as the full consequences of these cuts are felt, unintended pregnancies, abortions, and maternal and infant deaths among clients who depend on USAID programs will increase."

Now on p. 4.

The impact if restrictions were continued in FY 1998. The GAO report agrees that a repetition of FY 1996 and FY 1997 funding limits and restrictions in FY 1998 would put USAID bilateral programs "in serious jeopardy" and leave central programs with "minimal levels of funding." (p. 6) The GAO report cites the damage to programs in Kenya and Indonesia, but a number of others would be affected, including Bolivia, Uganda, and Nepal, as well as central programs supporting training and service delivery such as those of Pathfinder International, CARE, and the University of North Carolina. If the restrictions were continued in FY 1998, the only management steps available to the Agency would be to restructure and further downsize the program.

Now on p. 4.

The report also states that if FY 1998 funds begin to be available in October, 1997, even if funds are metered, programs "will not be in jeopardy." (pg. 6) Although USAID has established clear priorities and put management steps in place to reduce the adverse impact on the program, we and our development partners would continue to incur wasteful administrative costs and many program managers would not have the flexibility to quickly respond to field needs or do advance planning.

Now on p. 3.

The GAO appears to be focusing only on the issue of sudden disruptions that could be caused by average pipelines dropping below four months and understating the vulnerability of the entire program as it enters FY 1998 with much shorter pipelines. The statement on page 5 regarding pipelines should provide the needed frame of reference:

See comment 2.

"As a result, some centrally managed and bilateral projects operated with pipelines close to levels considered disruptive by USAID. These levels were well below the 12 to 18 months recommended in Agency forward-funding guidelines and well below those of other Agency programs, such as in the Development Assistance account where pipelines ranged from 17-21 months as of September 30, 1996."

Appendix III
Comments From the Agency for
International Development

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Now on p. 4.

We also suggest that the last sentence in the first full paragraph on page 6 be revised and extended:

See comment 3.

"Apart from the overall impact of funding reductions, our analysis shows that if fiscal year 1998 funding is available at the beginning of the fiscal year in October 1997, rather than July 1998, the current bilateral and centrally managed programs will not be in jeopardy of sudden disruption, even if funds are metered -- although subactivities will be at risk and the administrative burdens will continue."

Now on p. 11.

The comparable statement in the first sentence of the first full paragraph on page 16 should also be revised as follows:

"However, our analysis shows that if the release of funds is not delayed and funds are made available in October 1977, the overall impact of funding reductions will remain, but USAID would not be forced to curtail projects and other activities within its family planning program and project pipelines would exceed the desired 4-month minimum level. Still, subactivities would be at risk and administrative burdens would continue."

The following are GAO's comments on USAID's letter dated March 24, 1997.

GAO Comments

1. While we recognize that USAID minimized negative impacts on the family planning program, USAID did not provide additional data to demonstrate that these types of consequences will occur.
2. The report text has been modified to reflect this information.
3. We noted in our report that release of funds in October 1997 rather than July 1998, even though metered, will enable USAID to continue funding family planning projects and that pipelines will exceed the 4-month minimum level. Nonetheless, it is likely that USAID will have to deal with the administrative burden of metering.